**UIL ACCOUNTING**

**State 2016-S**

**Group 1**

**For questions 1 through 14, write on your answer sheet how each item is closed (or not closed) at the end of the fiscal year using the following code (do not substitute any letter or word for the codes DR, CR, NC):**

|  |  |  |
| --- | --- | --- |
| **DR** | = | **close the account with a debit** |
| **CR** | = | **close the account with a credit** |
| **NC** | = | **this item is either not closed OR it is not an account** |

1. Preferred Stock 8. Property Taxes Payable

2. Gain on Plant Assets 9. Allowance for Uncollectible Accounts

3. Interest Receivable 10. Retained Earnings

4. Bad Debts Expense 11. Unearned Revenue

5. Transportation In 12. Uncollectible Accounts Expense

6. Purchases Discounts 13. Paid-in Capital in Excess of Par—Common

7. Interest Income 14. Dividends—Common

**Group 2**

**On January 5, 2015 Catwalk, Inc. was organized and authorized to issue 10,000 shares of $18 par common stock and 900 shares of $100 par, preferred 5% stock.**

**The company prepares adjusting and closing entries only at the fiscal year end which is December 31. The company prepares a Balance Sheet, Income Statement, and Statement of Stockholders’ Equity annually.**

**In January 2,000 shares of common stock were issued at par, 1,800 shares of common stock were issued at $20, and 200 shares of preferred stock were issued at $100.**

**The company earned $64,540 in net income in 2015. On December 20, 2015 the board of directors declared an annual dividend of $10,120 for both preferred and common shareholders to be paid by March 15, 2016.**

**For questions 15 through 18 write the correct amount or number on your answer sheet.**

15. Of the total dividends declared, what amount per share is available to the common

stockholders?

16. After closing entries, how much of the net income is retained by the corporation?

17. What amount should be reported on the December 31, 2015 balance sheet on the

single equity line called Stockholders’ Equity?

18. How many shares of common stock are unissued as of December 31, 2015?

**Group 3**

**The following balances appear in the general ledger accounts of a corporation on December 31, 2015 after closing entries were posted at the end of the fiscal year. The corporation was formed in the calendar year 2014.**

|  |  |
| --- | --- |
| **8.25% Preferred Stock ($100 par)** | **$102,000** |
| **Common Stock ($12 par)** | **88,800** |
| **Paid-in Capital in Excess of Par—Common** | **14,100** |
| **Retained Earnings** | **90,571** |
| **Dividends—Preferred** | **-0-** |
| **Dividends—Common** | **-0-** |

**The corporation is authorized to issue 50,000 shares of preferred stock and 100,000 shares of common stock.**

**The following are all the transactions that occurred in 2015 that affected the stockholders’ equity accounts.**

|  |  |
| --- | --- |
| Jan 5 | The board of directors declared the annual cash dividend on the preferred stock issued to all stockholders of record as of January 15, 2015 payable on February 15, 2015. |
| Feb 15 | Paid the preferred stock cash dividend. |
| May 7 | The board of directors declared the annual cash dividend of $3.50 per share on the common stock to all stockholders of record as of May 15, 2015, payable on June 15, 2015. |
| June 15 | Paid the common stock cash dividend. |
| Aug 1 | Issued 300 shares of 8.25% preferred stock at par. |
| Sept 1 | Issued 1150 shares of common stock at par. |
| Nov 1 | Issued 800 shares of common stock for $16.00 per share. |
| Dec 31 | Closed the net income for the year of $48,096 |
| Dec 31 | Closed the two dividend accounts. |

**For questions 19 and 20, write on your answer sheet the correct number of shares of stock issued as of January 1, 2015.**

19. 8.25% Preferred Stock

\*20. Common Stock

**For questions 21 through 25, write on your answer sheet the correct amount of the beginning balance as of January 1, 2015 for each of the following accounts:**

21. 8.25% Preferred Stock

\*22. Common Stock

\*23. Paid-in Capital in Excess of Par—Common

\*24. Retained Earnings

25. Dividends--Common

**For question #26, write the correct amount on your answer sheet.**

26. Consider that there was only one issuance of common stock in the year 2014. By

what dollar amount per share were those common shares issued?

**Group 4**

**Tinkerbell, Inc. estimated its corporate federal income tax for the year 2015. Tinkerbell made four payments to the IRS in 2015 for $18,750 each and debited Federal Income Tax Expense and credited Cash in Bank for each payment.**

**The CPA for Tinkerbell prepared an end-of-year (12-31-15) work sheet. In a separate calculation, the CPA determined the Income Statement column totals excluding Federal Income Tax Expense, thus arriving at net income before federal income tax expense as follows: Income Statement Debit column subtotal of $730,012 and an Income Statement Credit column subtotal of $994,312.**

**The corporate federal income tax rates for 2015 are as follows:**

|  |  |
| --- | --- |
| **15% of net income before taxes** | **Zero to $50,000** |
| **Plus 25% of net income before taxes** | **$50,000 to $75,000** |
| **Plus 34% of net income before taxes** | **$75,000 to $100,000** |
| **Plus 39% of net income before taxes** | **$100,000 to $335,000** |
| **Plus 34% of net income before taxes** | **Over $335,000** |

**For questions 27 through 32, write the identifying letter of the best response on your answer sheet.**

27. What is the total amount of corporate Federal Income Tax Expense that the

corporation will report on its Income Statement for the year ended 12-31-15?

A. $11,327 B. $75,000 C. $86,327 D. $89,862 E. $103,077

28. The adjusting journal entry for corporate federal income tax expense for 2015

includes a:

A. debit to Cash in Bank

B. credit to Federal Income Tax Payable

C. debit to Federal Income Tax Payable

D. credit to Federal Income Tax Expense

29. What is the balance of Federal Income Tax Payable after the 12-31-15 adjustment

is posted?

A. zero B. $11,327 C. $28,077 D. $75,000 E. $86,327 F. $103,077

30. Federal Income Tax Payable is classified on the financial statements as a/an

A. income tax expense item C. deferred revenue

B. long-term liability D. current liability

\*31. What is “Net Income after Federal Income Tax” as reported on the income

statement for the year ended 12-31-15?

A. $161,223 B. $174,438 C. $177,973 D. $189,300 E. $207,223

\*32. On the completed worksheet, what is the Income Statement Debit column subtotal

that appears above the line called “Net Income after Federal Income Tax”?

A. $730,012 C. $805,012 E. $819,874

B. $741,339 D. $816,339 F. $833,089

**Group 5**

**The accountant asked the payroll clerk to assist her with the annual financial statement analysis. The payroll clerk was very proficient in all aspects of human resource accounting, but he was very unsure of the accounts needed to make the various analysis computations. The following list is the information gathered by the clerk from the financial statements for the year ending December 31, 2015.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Amount |  |  | Amount | Due Date |
| Change Fund | 250 |  | Interest Payable | 39 | 3-15-16 |
| Cash in Bank | 3,765 |  | Accounts Payable | 5,856 | 1-31-16 |
| Land | 15,000 |  | Note Payable | 9,500 | 3-15-16 |
| Prepaid Insurance | 3,475 |  | Fed. Inc. Tax Pay. | 840 | 1-15-16 |
| Petty Cash | 300 |  | Dividends Payable | 2,500 | 2-15-16 |
| Merchandise Inventory | 27,835 |  | Sales Tax Payable | 1,420 | 1-20-16 |
| Office Supplies | 4,690 |  | Note Payable | 95,000 | 3-15-20 |
| Office Equipment | 8,610 |  | Fed. Corp. Inc. Tax Payable | 1,200 | 3-15-16 |
| Accounts Receivable | 37,685 |  | Note Payable | 5,000 | 2-25-17 |
| Buildings | 340,850 |  | Property Tax Payable | 2,755 | 1-31-16 |
|  |  |  | Salaries Payable | 890 | 1-18-16 |
|  |  |  | Common Stock | 80,000 | ? |
|  |  |  | Paid-In Capital in Excess Par | 10,000 | ? |

**For questions 33 through 35, write the identifying letter of the best response on your answer sheet.**

33. What is the correct amount of working capital?

A. $17,000 B. $25,000 C. $30,000 D. $50,165 E. $53,000 F. $80,000

34. The current ratio is \_\_\_?\_\_\_ to 1.

A. 0**.**62 B. 2**.**6 C. 2**.**89 D. 3**.**12 E. 3**.**46 F. 3**.**64

\*35. The quick ratio is \_\_\_?\_\_\_ to 1.

A. 0**.**14 B. 0**.**17 C. 1**.**39 D. 1**.**4 E. 1**.**68 F. 2**.**01

**Group 6**

**Match each situation in items 36 through 43 with the best term using the following code:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Terms** | | | |
| **A** | Accrued Revenue |  | **C** | Deferred Expense |
| **B** | Accrued Expense |  | **D** | Deferred Revenue |

36. rent not yet collected; already earned but not yet recorded

37. office supplies on hand and paid for; will be used next accounting period

38. rent revenue collected; not yet earned

39. owes property taxes assessed; but has not yet recorded or paid the taxes

40. an expense not yet incurred; paid in advance

41. a revenue is earned; not yet recorded or collected

42. an expense is incurred; not yet paid or recorded

43. a revenue not yet earned; collected in advance

**Group 7**

**Refer to Table 1 on page 7. For questions 44 through 57, write the correct amount on your answer sheet.**

44. What was the amount of partner capital for Jordan Day in the general ledger on

12-31-14 (the first year of operations) before adjusting and closing entries were

posted for the year 2014?

45. What was the balance in Bubba Rose’s general ledger capital account on the first

day of the second year of operations (January 1, 2015)?

46. On the worksheet for 2015, what is the amount in the Trial Balance for the partner

capital account for Rickie Watson?

47. On the worksheet for 2015, what is the subtotal of the Income Statement Debit

column before net income or net loss is calculated?

48. On the worksheet for 2015, what is the subtotal of the Balance Sheet Debit column

before net income or net loss is calculated?

\*49. On the worksheet for 2015, what is the correct amount of Accounts Payable?

What is the correct amount of:

50. Beginning Merchandise Inventory on January 1, 2015

51. Cost of Merchandise Available for Sale

52. Cost of Merchandise Sold

\*53. Gross Profit

54. Sales

***Three Under Par*** prepared a statement called “Distribution of Net Income Statement” for the year ended December 31, 2015. What is the correct amount of the net income to be journalized and posted to each of the following partner capital accounts?

\*55. Jordan Day, Capital

\*56. Bubba Rose, Capital

\*57. Rickie Watson, Capital

**Group 8**

**Refer to Table 2 on pages 8 and 9. For questions 58 through 80, write the correct amount on your answer sheet.**

58. What was the amount of Cash in Bank at the end of the day of October 1, 2015?

On the correctly completed worksheet for the year ending December 31, 2015 in the unadjusted trial balance, what was the amount of:

\*59. Cash in Bank 65. Fees & Commissions Earned

60. Accounts Receivable 66. Rent Expense

61. Prepaid Insurance 67. Accumulated Depreciation

62. Office Supplies 68. Office Furniture

63. Accounts Payable \*69. Unearned Revenue

64. Common Stock

On the correctly completed worksheet for the year ending December 31, 2015 in the adjusted trial balance, what was the amount of:

70. Prepaid Insurance

\*71. Accumulated Depreciation

72. Interest Payable

73. Retained Earnings

74. Fees & Commissions Earned

75. Office Supplies Expense

Money Matters, Inc. prepared a financial statement called “Statement of Stockholders’ Equity” for the year ended December 31, 2015. On this statement, what is the correct amount of:

\*76. Net Income

\*77. Cash Dividends

\*78. Total Stockholders’ Equity as of December 31, 2015

On January 20, 2016 after reviewing the financial statements for 2015 and coming to a consensus, Gary and Larry agreed to declare a 2016 cash dividend based on their proportionate shares of stock owned as follows:

\*79. The amount Gary will receive is \_\_?\_\_.

\*80. The amount Larry will receive is \_\_?\_\_.

**This is the end of the exam. Please hold your test and answer sheet until the contest director asks for them. Thank you!**

***Table 1***

**(for questions 44 through 57)**

**Three guys decided they would start a chain of retail stores that sell golf equipment and souvenirs. They chose to form a partnership called *Three Under Par*, and they began by opening one store in the year 2014. The partners began the business by contributing the following appraised assets to the partnership on May 23, 2014:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Jordan Day** | **Bubba Rose** | **Rickie Watson** |
| **Cash** | **68,000** | **43,000** | **93,000** |
| **Inventory (souvenirs)** | **50,000** | **95,000** | **75,000** |
| **Equipment** |  | **55,000** |  |

**On July 8, 2014 the partners made the following additional contributions of cash to the partnership:**

|  |  |
| --- | --- |
|  | **Amount** |
| **Jordan Day** | **25,000** |
| **Bubba Rose** | **40,000** |
| **Rickie Watson** | **35,000** |

***Three Under Par* prepares adjusting and closing entries only at the end of the fiscal year which is December 31.**

**The net income for the year 2014 was $21,000. The written partnership agreement signed on May 23, 2014 stated that profits and losses are shared equally among the partners. The partners did not withdraw any assets for personal use in the year 2014.**

**Information for the Second Year of Business Operations (2015):**

**On January 1, 2015 the partners discussed, agreed unanimously, and each signed an amendment to the written partnership agreement. The amendment stipulated that beginning on 1-1-15 and thereafter, the partners will share net income or net loss in the same ratio as the beginning balances of their capital accounts as of the date of the amendment (before any transactions occurred for the second year of operations).**

**During 2015, the partners did not make any capital contributions, nor did they make any partner withdrawals of cash or assets. The gross profit percentage is 40%.**

**The following information for *Three Under Par* is taken from the adjusted trial balance of the worksheet for the year ended 12-31-15. All accounts have normal balances.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Account Title** | **Amount** |  | **Account Title** | **Amount** |
| Cash in Bank | 117,202 |  | Jordan Day, Capital | ? |
| Accounts Receivable | 6,792 |  | Bubba Rose, Capital | ? |
| Merchandise Inventory | 199,740 |  | Rickie Watson, Capital | ? |
| Equipment | 182,640 |  | Income Summary | DR 1,720 |
| Building | 500,000 |  | Sales | ? |
| Land | 20,000 |  | Purchases | 594,812 |
| Accounts Payable | ? |  | Expenses | 257,068 |
| Mortgage Payable | 257,330 |  |  |  |

***TABLE 2***

**(for questions 58 through 80)**

Gary Davis and Larry Morris are Certified Financial Planners and each holds a Series 7 license enabling them to provide financial consulting and to sell various types of mutual funds, annuities, stocks and bonds. Gary and Larry have decided to join forces and go into business together. They do not wish to form a partnership; therefore, they have agreed to form a closely-held corporation called Money Matters, Inc. (In the following narrative, “MM” stands for Money Matters, Inc.)

On July 7, 2015: Gary and Larry have agreed upon the following:

* the fiscal year end is December 31
* the accounting method is the accrual method
* adjusting and closing entries will be prepared only at the end of the fiscal year
* use one revenue account called Fees & Commissions Earned
* all supplies and insurance are first recorded in respective asset accounts
* use one combined contra asset account called Accumulated Depreciation
* to hire an attorney to file the necessary forms with the Secretary of the State of Texas to legally form the corporation. The attorney has agreed to be paid by MM within 30 days of the successful formation of the entity.
* to borrow money to purchase office furniture, computers, and any other start-up expenses using the bank in their office building (that bank uses the 360-day year to calculate interest)
* neither shareholder will receive any salary or commission in the year 2015; however, they agree to consider declaring a dividend in January 2016
* MM is authorized to issue 10,000 shares common stock with a par value of $100.

August and September 2015

* MM issued 150 shares of common stock at par to Gary Davis
* MM issued 100 shares of common stock at par to Larry Morris
* Gary and Larry held the first official board meeting of MM and Larry agreed that Gary would be the president of the two-person board, making Gary the overall manager of the company
* MM paid the attorney $1,500 and posted this to Professional Fees Expense.
* Gary signed a one-year lease on office space with a lease term beginning on September 1, 2015 and gave the landlord a business check dated September 1 in the amount of $750 for September. No lease deposit was required. Each month’s rent will be $750.
* Larry was able to locate used office furniture in excellent condition in August and the seller is asking $9,000.
* Larry also researched online the various computer system components they will need for their two offices and for an office manager at an estimated cost of $4,500, but this does not include shipping costs. They agreed to wait until late September to place the order.
* As president of MM, Gary purchased a 12-month insurance policy covering any and all contents owned by MM located in the leased office space. A business check was written on September 1 for $1,380.

August and September 2015 continued

* As president of MM, Gary signed a promissory note to the bank on 9-14-15 and MM received a check for $13,500. The note is interest-bearing at 4% for 120 days.
* On September 26, the business purchased by check the used office furniture (which Larry had located in August) at a negotiated price of $8,600 FOB Destination. The furniture is expected to last 5 years and be worth only $500 at the end of that time period.
* On September 30, the business purchased office supplies from a local supplier at a cost of $2,460 paid for by a MM check. Larry estimates this will last at least six months.

October 2015

* On October 1 the business paid by check an insurance premium in the amount of $3,780 for liability coverage for a 12-month period.
* On October 1 the computer equipment arrived and was successfully installed. On this day an electronic payment was made from the MM checking account to the computer supplier in the amount of $4,800. Larry estimates the salvage value to be $750 at the end of an estimated useful life of 5 years.

**Below is a summary of all the transactions that occurred from October 2, 2015 through December 31, 2015.**

* fees earned from clients who paid by check $16,520
* commissions earned from the sale of investments and payment received $13,070
* fees earned from clients who paid by using their bank credit card $1,250
* fees earned this year from clients who will pay in the future $725
* commissions earned this year that will be received in the future $2,130
* collections on account from clients and other companies $1,225
* bought additional office supplies and paid by check $815
* paid the monthly rent for October, November, and December by issuing checks
* wrote several checks to pay the utilities for September through December. These checks add up to $637.
* incurred various business expenses on account $2,511
* payments on account to vendors $1,100
* On December 30, 2015 a client paid MM $750 for services to be performed in January 2016. Larry deposited the check and credited Fees & Commissions Earned.

**End-of-Fiscal Year Information:**

* physical inventory of office supplies taken on December 31 was $1,940
* The depreciation methods are:
  + office furniture straight-line method
  + computer equipment double-declining balance method

**January 2016**

Gary and Larry reviewed the financial statements for the first year of operations and discussed the topic of declaring dividends. They agreed to leave $12,500 of the 2015 net profit in the business.